



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

January 24, 2013

CERTIFIED RETURN RECEIPT

7011 0110 0001 3568 0451

Michael Terry
Anasazi Gold Reserves
C/O North American Exploration
447 North 300 West STE 3
Kaysville, Utah 84037

Subject: Proposed Assessment for State Cessation Order No. MC-2012-17-06, Anasazi Gold Reserves, Highland Mist Mine, S/021/0035, Iron County, Utah

Response Due By: 30 Days of Receipt

Dear Mr. Terry:

The undersigned has been appointed by the Division of Oil, Gas & Mining as the assessment officer for assessing penalties under R647-7.

Enclosed is the proposed civil penalty assessment for the above referenced cessation order. The cessation order was issued by Division inspector, Lynn Kunzler, on October 12, 2012. Rule R647-7-103 et. seq. was used to determine the proposed penalty of \$3,520.00. The enclosed worksheet outlines how the civil penalty was assessed.

By these rules, any written information which was submitted by you or your agent within fifteen (15) days of receipt of this Cessation Order has been considered in determining the facts surrounding the violation and the amount of this penalty.

Under R647-7-106, there are two informal appeal options available to you. You may appeal the 'fact of the violation', the proposed civil penalty, or both. If you wish to informally appeal you should file a written request for an informal conference within thirty 30 days of receipt of this letter.



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Michael Terry
S/021/0035
January 24, 2013

The informal conference will be conducted by a Division-appointed conference officer. The informal conference for the fact of the violation is distinct from the informal assessment conference regarding the proposed penalty. If you wish to review both the fact of the violation and proposed penalty assessment, you should file a written request for an assessment conference within thirty (30) days of receipt of this letter. In this case, the assessment conference will be scheduled immediately following the review of the fact of the violation.

If a timely request for review is not made, the fact of the violation will stand, the proposed penalty will become final, and will be due and payable within thirty (30) days of the date of this proposed assessment (by February 27, 2013). Please remit payment to the Division, mail c/o Sheri Sasaki.

Sincerely,



Wayne Western
Assessment Officer

WHW: eb
Enclosure: Proposed Assessment Worksheet
cc: Sheri Sasaki, Accounting
Vickie Southwick, Exec. Sec.
P:\GROUPS\MINERALS\WP\M021-Iron\S0210035-HighlandMist\non-compliance\MC-2012-17-06\PROASSES01182013.doc

A. EVENT VIOLATION (Max 45 pts.)

1. What is the event which the violated standard was designed to prevent?
Ensure adequate reclamation could be done in the event of bond forfeiture.
2. What is the probability of the occurrence of the event which a violated standard was designed to prevent?

| <u>PROBABILITY</u> | <u>RANGE</u> |
|--------------------|--------------|
| None | 0 |
| Unlikely | 1-9 |
| Likely | 10-19 |
| Occurred | 20 |

ASSIGN PROBABILITY OF OCCURRENCE POINTS 15

PROVIDE AN EXPLANATION OF POINTS:

*** *Operator had cashed a certificate of deposit (which was part of the bond) without Division authorization.*

3. What is the extent of actual or potential damage? RANGE 0-25
In assigning points, consider the duration and extent of said damage or impact, in terms of area and impact on the public or environment.

ASSIGN DAMAGE POINTS 13

PROVIDE AN EXPLANATION OF POINTS:

*** *The Division would not have been able to conduct adequate reclamation in the event of bond forfeiture.*

B. ADMINISTRATIVE VIOLATIONS (Max 25pts)

1. Is this a POTENTIAL or ACTUAL hindrance to enforcement?
RANGE 0-25

Assign points based on the extent to which enforcement is actually or potentially hindered by the violation.

ASSIGN HINDRANCE POINTS

PROVIDE AN EXPLANATION OF POINTS:

TOTAL SERIOUSNESS POINTS (A or B) 28

III. DEGREE OF FAULT (Max 30 pts.) (R647-7-103.2.13)

- A. Was this an inadvertent violation which was unavoidable by the exercise of reasonable care? IF SO--NO NEGLIGENCE; or, was this a failure of a permittee to prevent the occurrence of a violation due to indifference lack of diligence, or lack of reasonable care, the failure to abate any violation due to the same or was economic gain realized by the permittee? IF SO--GREATER DEGREE OF FAULT THAN NEGLIGENCE.

| | |
|-------------------------|-------|
| No Negligence | 0 |
| Negligence | 1-15 |
| Greater Degree of Fault | 16-30 |

STATE DEGREE OF NEGLIGENCE Greater Degree of Fault

ASSIGN NEGLIGENCE POINTS 23

PROVIDE AN EXPLANATION OF POINTS:

******Operator had cashed a Certificate of Deposit that was part of the reclamation surety for the site. While the Bank had signed an agreement that the CD would be held until the Division released it, the operator was able to convince the bank that this was not necessary. This action is considered more than Negligence.***

IV. GOOD FAITH (Max 20 pts.) (R467-7-103.2.14)

Violation was not abated within time frame given. Good faith is not available.
(Either A or B) (Does not apply to violations requiring no abatement measures)

- A. Did the operator have onsite, the resources necessary to achieve compliance of the violated standard within the permit area?
IF SO--EASY ABATEMENT

Easy Abatement Situation

| | | |
|---|---|-------------|
| X | Immediate Compliance | -11 to -20* |
| | (Immediately following the issuance of the NOV) | |
| X | Rapid Compliance | -1 to -10 |
| | (Permittee used diligence to abate the violation) | |
| X | Normal Compliance | 0 |
| | (Operator complied within the abatement period required) | |
| | (Operator complied with condition and/or terms of approved Mining and Reclamation Plan) | |

*Assign in upper of lower half of range depending on abatement occurring the 1st or 2nd half of abatement period.

- B. Did the permittee not have the resources at hand to achieve compliance, or does the situation require the submission of plans prior to physical activity to achieve compliance?

IF SO--DIFFICULT ABATEMENT

Difficult Abatement Situation

| | | |
|---|---|-------------|
| X | Rapid Compliance | -11 to -20* |
| | (Permittee used diligence to abate the violation) | |
| X | Normal Compliance | -1 to -10* |
| | (Operator complied within the abatement period required) | |
| X | Extended Compliance | 0 |
| | (Permittee took minimal actions for abatement to stay within the limits of the NOV or the violated standard of the plan submitted for abatement was incomplete) | |
| | (Permittee complied with conditions and/or terms of approved Mining and Reclamation Plan) | |

EASY OR DIFFICULT ABATEMENT? _____

ASSIGN GOOD FAITH POINTS 0

PROVIDE AN EXPLANATION OF POINTS:

V. ASSESSMENT SUMMARY (R647-7-103.3)

NOTICE OF VIOLATION # MC-2012-17-06

| | | |
|------|--------------------------|-----------|
| I. | TOTAL HISTORY POINTS | <u>1</u> |
| II. | TOTAL SERIOUSNESS POINTS | <u>28</u> |
| III. | TOTAL NEGLIGENCE POINTS | <u>23</u> |
| IV. | TOTAL GOOD FAITH POINTS | <u>0</u> |
| | TOTAL ASSESSED POINTS | <u>52</u> |

TOTAL ASSESSED FINE **\$ 3,520**